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AFRICA'S TRADE RELATIONS: SOME MAJOR ISSUES

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I. GENERAL BACKGROUND

1. Africa's trade relations can essentially be considered at four levels (a) domestic or internal trade involving relations between traders and consumers living in different areas of the same country; (b) intra-African trade which involves trade between two or more countries either on a bilateral basis or through multilateral arrangements within the framework of subregional trade and economic groupings; border trade is also considered an integral part of intra-African trade relations; (c) South-South trade involving trade between African and other developing regions in Asia and the South Pacific, Latin America and the Caribbean and Western Asia (Middle East); and (d) North-South trade relations between Africa and the industrialized countries of the market economies of the Organization for Economic Co-operation and Development (OECD) as well as centrally planned economies of the Socialist Countries of Eastern Europe. Each one of these four sets of relations poses specific problems which must be tackled as a means of ensuring that trade becomes a real «engine» for growth.

2. The most important factor in the analysis of these relations is to recognize that the domestic, intra-African and international economic situation of most African countries during the first half of the 1980s was characterized by sluggish rate of growth. Part of this is explained by the fact that world economic activity which was expansive during the period of the 1960s and 1970s dropped into a recession. Therefore even when economic recovery was observed, this tended to spread rather unevenly in geographic terms leaving out virtually the whole African region. Essentially, at the national level, domestic trade relations and structures are not designed to respond effectively to the growing demands for redressing mass poverty in the rural areas and for a more balanced growth. At the subregional and regional levels, relations have improved significantly since 1980. The establishment of the Preferential Trade Area for Eastern and Southern African States (PTA) and the Economic Community of Central African States (ECCAS) was a manifest of improved trade and economic relations among African countries.

3. The same cannot be said of international trade and economic relations. Africa has, by and large, been unable to significantly influence the international environment to its favour, despite the signing of the ACP-EEC Lomé III Convention. Similarly, the existence of the International Commodity Agreements (ICA) and the Common Fund have not improved Africa's export earnings. On the contrary, the period 1980-1986 can be considered as the worst period in Africa's trade relations. This has been further compounded by the weakness of prices for most primary commodities of export interest to the African economies. It is a combination of some of these factors which resulted in the region not being able to benefit from the economic recovery in developing countries. Moreover, the prevailing attitude of some of the developed countries towards the policy initiatives of developing countries like the one in the above resolution seem to run counter to what is expected of global inter-dependence between countries and regions at different levels of economic development.

4. The gravity of these problems can best be analysed taking into account the policy implications of developments which affect Africa's international trade and economic relations both negatively and positively against the background of policies and strategies needed to bring about structural transformation, these relate to the Lagos Plan of Action and Africa's Priority Programme of Economic Recovery 1986-1990 adopted by the African Heads of State and Government which are two landmarks embodying the main aspirations of the African region. They have been endorsed by the Special Session of the United Nations General Assembly on the Critical Economic Situation in Africa which adopted the United Nations Programme of Action for African Economic Recovery and Development 1986-1990 in June 1986.

5. The purpose of this paper is to examine the impact of trade relations on the development of African countries and to propose measures that might be considered for adoption by the Governments in order to enhance the implementation of Africa's Priority Programme for Economic Recovery 1986-1990. Chapter One examines the contribution of domestic and intra-African trade to Africa's economic growth and development and emphasizes the need to strengthen such trade as the basis for negotiating trade environment. Chapter Two examines the problem of ensuring adequate mechanisms for market research, trade information and trade promotion as the basis for taking advantages of increased trade opportunities at the national, subregional, regional and international levels. It also includes a review of activities of the Federation of African Chambers of Commerce in promoting intra-African trade as well as activities of State Trading Organizations. Chapter Three reviews major developments in Africa's international trade relations and how these affected their development prospects. Chapter Four examines the impact of transnational corporations on Africa's trade, recovery and growth.

CHAPTER ONE

THE CONTRIBUTION OF DOMESTIC AND INTRA-AFRICAN TRADE TO SOCIO-ECONOMIC GROWTH AND DEVELOPMENT

I. DOMESTIC TRADE

6. Since the adoption of the Lagos Plan of Action and the Final Act of Lagos, a large number of African countries have made considerable progress towards strengthening the national institutions for promoting domestic trade or establishing new ones where these did not exist. State trading organizations and Grain Marketing Boards have been strengthened to cope with increasing pressures for marketing and distribution at the national level of agricultural produce especially foodgrains and dairy products. Some countries such as Ethiopia have long recognized the need to promote domestic trade and has set a separate ministry to deal with these issues. In some countries special departments or units have been set up within the ministries of commerce or foreign trade to deal with domestic trade. However, problems still exist in so far as existing institutions have in a number of countries been unable to cope with internal trade distribution problems with the result that imbalances still exist between supply and demand among different areas of the same country.

7. The problem of expanding domestic trade does not only lie mainly in the weakness of appropriate institutions but also rather in the rigidities in the production and distribution policies which favour external trade. These basic problems of the development and expansion of domestic trade are manifested in the following factors(a) great imbalances still persist in the growth and development between the urban and rural areas and in the supply of goods and services: (b) there is generally lack of adequate and up-to-date information on domestic trade and marketing opportunities within the African countries; (c) a relatively small amount of resources is set aside for the development of internal trade structures especially linking one rural area with other rural areas.

8. Recent case studies on a few African countries have revealed that domestic trade structures have changed very little from those of the pre-independence era when production structures were geared essentially towards the exploitation of a few primary commodities for exports to the metropolitan countries. After more than two decades of independence, many African countries continue to give pricrity to the production of a few cash crops and other primary commodities for the market of industrialized countries. This policy has perpetuated the serious imbalance not only in the development levels of various parts of the same country but also in the structure of production and distribution of goods and services. Those areas provided with trado channels for their export products also benefitted from those same channels for the import of goods and services including food. Other areas suffered from a complete absence of trade channels except for the services of a limited number of small private entrepreneurs.

9. Despite the existence of some mechanisms for dealing with domestic trade, our preliminary assessment shows that in most countries such trade is carried out mainly by traditional channels such as weekly markets in the rural areas. In other words, firm action has as yet to be taken to tap the trade potential offered by rural markets to rationalize distribution channels by minimizing the number of intermediaries; to ensure control by indigenous enterprises; and to increase investment in the domestic trade and rural productive sectors to achieve a balanced growth. While individual countries have become aware of the crucial role that domestic trade plays in their socio-economic development, there are no indications that they have adopted deliberate policy measures, through legislation, to promote internal trade. Price mechanisms and other incentives continue to favour urban development vis-à-vis rural areas with the result that the terms of trade moving against the agricultural sector thereby forcing the rural communities to subsidize the urban sector. This in fact, is the major cause of the rural-urban migration which results severe strains on the social and physical resources of the urban centres.

10. In order to address this situation, the growing urban and rural demand for agricultural products, in particular food crops, requires major efforts to be undertaken in order to stimulate food production for local consumption. Among the priority measures to improve production and the distribution systems, for domestic trade are the following:

(i) a full study should be undertaken in each country to determine the food requirements of the population in all areas, in particular the different food grain requirements to form the basis for domestic trade. If necessary such a study should indicate ways of introducing new staple grains in areas of chronic shortages;

(ii) institute, with the collaboration of cooperative societies and commercial banks, more effective systems for providing credit to small holders and medium scale farmers and to small entrepreneurs involved in the production and marketing of simple goods including handicrafts. There must also be guaranteed prices for agricultural produce;

(iii) new programmes should be implemented to ensure adequate supplies of raw materials and inputs specifically for the production for domestic markets, and the introduction of pricing policy with inbuilt incentives to encourage farmers to increase their production and to become more integrated within the money sector of the economy;

(iv) establish proper trade distribution networks throughout the country as well as a system of buffer stock both in order to maintain steady price levels and to ensure adequate and even supplies during periods of high and low production. Such measures should include the establishment of physical plants and the development of transport facilities over long distances for goods and persons between the urban and rural areas through public investment or assistance to the private sector.

II. INTRA-AFRICAN TRADE

11. Over the past six years, the African countries have made remarkable achievement in the establishment of subregional institutions for intra-African trade, or in strengthening existing ones. Formal and informal negotiations and consultations have been held at various levels towards the reduction or elemination of tariff and non-tariff barriers as a means of increasing intra-African trade flows. For instance, in Eastern and Southern Africa, the Preferential Trade Area (PTA) for Eastern and Southern African States became fully operational in 1984. The PTA has also established two other effective subsidiary organs to facilitate trade among its member States. These are the payments and clearing house and the trade and development bank. A PTA chamber of commerce is in the process of establishment. In the Central African subregion, the Economic Community of Central African States (ECCAS) is also operational.

12. The Southern African Development Co-ordination Conference (SADCC) was also established as a direct response to South Africa's destabilization policy. Measures have been taken to strengthen and expand the Central African Clearing House (CACH) and the Central African Customs and Economic Union (UDEAC). In the West African subregion, the Economic Community of West African States (ECOWAS) and the West African Clearing House (WACH) deal with intra-African trade issues. In North Africa, the countries have re-affirmed their desire to create a preferential trade area. A Declaration of Intent to Establish a Preferential Trade Area in North Africa was reviewed at the meetings of the MULPOC plenipotentiaries in 1986 and 1987. It is hoped that the countries will soon take positive action to realize this objective.

13. Despite the existence and the functioning of these subregional intergovernmental organizations, the level of intra-African trade has remained at a low level since 1980. Table 1 shows that intra-African trade as a percentage of total African exports to the world, achieved the highest share of 5.6 per cent in 1970. Since then, the share has been declining until it reached a level of 3.1 per cent in 1980 and has since stabilized around 4.0 per cent. However, the commodity structure of intra-African trade shows some diversification (see Table 2). The main products which are being traded among African countries belong to SITC 1/ (1) group 0-1, 2-4, 3 and 6-9 and this itself provides a good basis for intra-African trade. The Category «Mineral fuels and related materials» not only still occupy the first place in 1984 but its share increased to 38 per cent of intra-African trade against 31 per cent in 1983. The group «Food, beverages and tobacco» still occupies the second place but went down by 2.5 per cent. In 1984, «Food, beverages and tobacco» (S.I.T.C. 0 + 1) and «Mineral fuels and related materials» (S.I.T.C. 3), constituted some 60 per cent of intra-African Trade. On the other hand, intra-African trade in «Chemicals» (S.I.T.C.5), and «Machinery and transport equipment» (S.I.T.C.7) is still at a very low level.

1/ S.I.T.C. = Standard International Trade Classification

Table 1: Intra-African Trade in million US$

Year	Total African exports to the world	Intra-African Trade	Percentage
1970	12,021	672	5.59
1980	93,801	2,917	3.10
1981	75,154	2,976	3.95
1982	66,012	2,662	4.03
1983	56,667	2,319	4.09
1984	61,800	2.733	4.42
1985	63,813	2,563	4.01

Source: United Nations Monthly Bulletin of Statistics, May 1985 and ECA Statistics Division.

Table 2: Intra-African Trade by Commodity Classes in 1983,1984 (in million US$)

		1983	Percent	1984	Percent
Total		2,330	100	2,733	100
0 + 1	Food,beverages and tobacco	621	26.65	660	24.15
	of which: Cereals	48	2.06	41	1.50
2 + 4	Crude Materials excluding fuel, oils and fats of which:	254	10.90	261	9.55
	- oil seeds,nuts and kernels	15	0.64	11	0.40
	- textile fibres	49	2.10	52	1.90
	- Crude fertilizers and minerals	16	0.69	18	0.66
	- Metalliferous ores and metal scrap	59	2.53	67	2.45
	- Animal and vegetable oils and fats	25	1.07	40	1.46
3	Mineral fuels and related materials	725	31.12	1,039	38.02
5	Chemicals	141	6.05	153	5.60
7	Machinery and transport equipment	109	4.68	134	4.90
6 + 8	Other manufactured goods of which:	419	17.98	414	15.15
	Textile yarn and fabrics	95	4.08	108	3.95
	Non-ferrous metals	64	2.75	25	0.91
	Miscellaneous	61	2.62	72	2.63

Source: UN Monthly Bulletin of Statistics, May 1986, Vol-XL, No.5.

14. Several factors need to be highlighted as contributory to the low level of trade. These include divergence between demand and supply in both food and manufactured goods; tariff and non-tariff barriers; the inadequacy of transport networks internally and across African borders; the lack of credit facilities; the paucity of trade information; and the absence of institutional support. These problems are all fully known by the member States and have been adequately articulated in previous papers submitted to this Conference. However, a problem that needs special mention is that tariff and non-tariff barriers constitute a major source of revenue for African countries and for this reason, agreements for their removal or reduction have been very difficult to implement despite hard negotiations within the existing subregional economic groupings. An allied problem is the application of rules of origin which require a substantial proportion of value added for the goods to qualify for trade among the member countries of the group. A recent decision of the PTA authority to suspend further reduction of tariffs as stipulated in its Treaty underscore the intensity of this problem.

III. THE UNITED NATIONS PROGRAMME FOR DOMESTIC AND INTRA-AFRICAN TRADE 1988-1990

15. The problems briefly outlined in the previous section do not in any way diminish the tremendous prospects and potentials for developing and expanding intra-African trade. Evidently, while any analysis improves the understanding of these problems, the critical issue is that African Governments have to adopt concrete measures to translate their commitments made in the Lagos Plan of Action and in Africa's Priority Programme for Economic Recovery to promote collective self-reliance through domestic and intra-African trade. During this period, attempts should be made by African Governments and the subregional institutes to completely eliminate all tariff and non tariff barriers to domestic and intra-African trade.

16. One of the main reasons for the low levels of domestic and intra-African trade is the lack of goods to trade with. While action has already been taken, within the framework of some of the above economic groupings, to set up appropriate channels and mechanisms to increase the flow of goods among the member countries, the range of products available for trading remains very restricted. Small production units and business traders are unable to take advantage of the economies of large scale production because of their limited markets, although in many cases the African countries are capable of absorbing the required technology. It is therefore necessary for African governments to restructure their production and for this purpose, they need to undertake greater cooperative and integrative actions. In other sense, the existing economic groupings are unable to achieve the desired impact because the member countries are not using fully the mechanisms provided to promote trade among themselves. Many of the obstacles to trade such as tariff and non-tariff barriers, loss of revenue, payments settlement, rules of origins, transit trade can be largely removed through respect and rigid application of provisions within the Treaties and agreements which they themselves have signed.

17. Africa's economic growth and recovery are intricately linked with the developments in the international environement since the world is increasingly moving towards interdependence. The development of domestic and intra-African trade constitutes a piece in the global structure of trade relations. Consequently in order to enhance the growth and contribution of domestic and intra-African trade towards Africa's recovery and development hard decisions, structural adjustments and policy reforms will have to be implemented. These will require the full support of the African subregional and regional institutions as well as the international community. Therefore, the Conference might wish to consider making a specific appeal to the ECA Conference of Ministers to request the United Nations General Assembly to declare 1990-1999 as the Decade for Domestic and Intra-African Trade. The international community should be made to realize that a higher level of domestic and intra-African trade would engender higher demand for imports of consumption as well as capital goods through enraged markets and increased 'purchasing powers' of a larger number of the populations especially in the rural areas. Therefore it would be to the advantage of the international community as a whole that the Decade for Domestic and Intra-African Trade is declared.

18. The proposed Decade for Domestic and intra African Trade 1990-1999 would ensure that all available efforts, financial and human resources are geared towards the attainment of collective self-reliance in Africa. The objectives of the Decade should include the following decisions some of which were adopted at the eighth meeting of the Conference of African Ministers of Trade:

(i) That intra-African trade be increased to the tune of 10% of the world total trade by the end of 1995.

(ii) That increased efforts be made to progressively reduce and eventually remove trade and customs barriers to intra-African trade especially those affecting cash crops specifically those mentioned in the Lagos Plan of Action by the end of 1995.

(iii) That efforts be renewed to support and strengthen subregional institutions for trade promotion called for in the Lagos Plan of Action.

(iv) That significant improvements be made in intra-African trade information and marketing systems and systematically monitoring and evaluating trade performance by African countries.

(v) That all African countries should commit themselves and encourage the free movement of African traders and economic operators for the purpose of promoting intra-African trade. Furthermore that prompt action be undertaken to increase and regularize border-trade where necessary, by creating border free trade zones within which traditional operators may continue to function.

(vi) That where circumstances permit, priority be given to African tenders for the provision of goods and services offered by or originating from other African countries.

(vii) That use of African airlines and shipping lines be increased for freight services and transportation of goods for intra-African trade.

(viii) That appropriate pricing policies and other incentives designed to encourage domestic and intra-African trade be encouraged, especially in food and food products.

(ix) That steps be taken to link trade development with progress in other sectors such as industry, agriculture, education and training, transport and communication as outlined in paragraph 76 of the Africa's Priority Programme for Economic Recovery 1986-1990 adopted by the Special Summit of OAU.

(x) That urgent action be taken to develop adequate storage and distribution facilities for intra-African trade.

(xi) Called upon the Ministers of Transport and Communications to give priority to the creation or rehabilitation of inter country roads and rail links likely to encourage the growth of intra-African trade with particular emphasis on feeder and access roads permitting for easier transportation of rural produce to the market.

(xii) Requested ministries of industry, science and technology and energy to adopt appropriate policies and priority towards growth in intra-African Trade in order to promote the structural adjustments need in the region for development.

CHAPTER TWO

MARKET RESEARCH, TRADE INFORMATION AND TRADE PROMOTION

I. ISSUES OF MAJOR CONCERN

19. Over the past six years, many African countries have taken bold steps to develop more effective market research systems, trade information and trade promotion. Virtually all African countries have established or strengthened national institutions for export promotion. Some countries have even introduced computers in order to enhance trade information gathering and dissemination. At the subregional level, many institutions have become computerised and thereby more effective in trade information. The problem, however, is that most of the activities in market research, trade information and trade promotion are geared towards overseas markets. In other words, there is still a dearth of information concerning domestic and intra-African trade information and market research analysis. Similarly, trade promotion at the national and subregional levels is still in the crude stage of development. Consequently, domestic and intra-African trade still continues to be rather unattractive to potential and actual importers and exporters.

20. Since the eighth meeting of the Conference of African Ministers of Trade some action has been taken to implement their decisions. For instance, member States have tried in few cases to accord each other bilateral preferences through concertmade operations. The secretariat was also informed of the first barter transaction between Egypt's Misr Company and Ethiopia's ETIMEX and new resolutions taken by Zambia and Tanzania to step up barter transactions between the two countries. The secretariat completed studies on the establishment of an agricultural commodity exchange and a subregional marketing entreprises in Eastern and Southern Africa. In addition, the secretariat organized a joint ECA/ITC/PROPAC/PTA course on export marketing planning which was attended by 25 trainees from various countries.

21. With regard to the allocation of trade Promotion funds based on levies from import taxes which was recommended at the 8th session of this conference only very few African countries seems to have done so. According to information available only Burkina Faso and Gabon have systematically implemented this recommendation. There is also a clear lack of commitment on the part of African governments to subregional and regional trade promotion institutions such as the African Association of Trade Promotion Organizations (AATPO). This lack of commitment is reflected in the critical financial situation facing AATPO mainly due to non payment of contributions (a report has been compiled for the consideration of the African Ministers of Trade). As will be recalled a recommandation was adopted specifically calling member States to support AATPO and the Federation of African Chambers of Commerce. National Chambers of Commerce are also meeting difficulties in securing the necessary foreign currency for the payment of their contributions. As a result of this, the operational phase of the Federation has had to be deferred and its Secretary General has not yet been appointed.

22. The most encouraging steps towards the establishment of trade information systems and networks were taken by PTA member countries (with the assistance of ITC UNCTAD/GATT) which completed supply and demand surveys and engaged in the establishment of a trade information centre in Lusaka (Zambia) with a view to working out modalities for a network. Efforts are now being deployed for the linking the PTA trade information centre with the Eastern and Southern African Documentation and Information Centre ESADIC which is a project of ECA's PADIS in Lusaka (ECA would put its hardware and know-how at the disposal of PTA if all goes well). The ECA and ITC prepared a project for the establishment of a regional trade information system. Although the ECA Executive Secretary and the ITC Executive Director accord high priority to this project, no funds have as yet been obtained from ITC's trust funds or from the UNTTAD funds under custody of ECA. The project has now been submitted for financing to UNDP in the Fourth Cycle Programme. In the meantime, efforts were made at ECA to start building up a documentation unit and PADIS computer facilities are being used to start storing data and studies on trade.

23. The trade fairs have been another successful area. The fourth all Africa Trade Fair took place as planned in Lome, Togo and 30 African countries participated in it. A report has been prepared by the OAU secretariat and is available to this Conference. The first PTA trade fair was also held in Nairobi in September 1986 at which between 500-600 firms participated. This was rated by its organizers as a "resounding success" and helped improve the information on product availability in the subregion. National trade fairs and other exhibitions have also been held in various countries with successful results.

24. In a related field, subcontracting mechanisms were instituted to enable the Federation of African Chambers of Commerce to utilize the AATPO Secretariat and/or the ECA Africa Trade Centre to implement part of its work programme with the understanding that funds available at the Federation could be used for such purpose. This was approved by the Governing Council and the General Assembly of the Federation at their meetings in Cairo in March 1986.

II. FACTORS INHIBITING AFRICA'S EFFORTS TOWARDS MORE EFFECTIVE TRADE PROMOTION AND MARKETING

25. In addition to the institutional drawbacks identified in the preceding section, there are a number of practical problems which inhibit Africa's efforts towards more effective trade promotion and marketing. These range from cost of production and pricing to sales promotion, financing, transit facilities and trade documentation. Some of these aspects are briefly examined below:

(a) Costing and pricing

26. Empirical analysis shows that trade among African countries is hampered by among other things, the uncompetitiveness of African products due to high cost of production, unappropriate pricing, lack of quality control, standardizat'o inadequate advertising and packaging. Therefore competitiveness is a multifaceted aspect which should be clearly examined. As earlier stated, prices of African products, more especially manufactured products tend to be much higher than those of equivalent items imported from other regions of the world. Some of the

causes for the state of uncompetitiveness include (i) the transmittal of inflationary costs of developed countries into the African production structure as main production (ii) the low level of productivity due to cumbersome work procedures, inadequate technology, below standards skills and social problems (iii) oversized industries with large idle capacities which dramatically increase their unit cost price (iv) inappropriate pricing mechanism and methods resulting in overpriced and uncompetitive goods (v) prohibitive costs of transportation and transit due to poor transport facilities and sometimes to the inexistence of sufficient freight and traffic between countries ever when they have access to the sea, coastal transportation is still underexploited in Africa) and (vi) high tariff barriers cumbersome delaying procedures and documentations which can aggravate the costs of the goods by the costs of immobilization they incur.

27. What is required therefore is a shift from the present industrial development policies and patterns to more self reliant production, marketing and distribution structures to include (i) reducing Africa's dependance on external input factors whenever feasible (ii) establishing information systems which will enable African buyers to increase their knowledge of supply sources in the region and current trading conditions including prices, payment arrangements, quality and delivery periods etc., with a view of putting into competition various suppliers and for getting better conditions for their imports (iii) training African importers with the aim of upgrading their skills in purchasing and import management techniques as well as training exporters in export marketing techniques including costing and pricing, management of production (iv) reducing idle production capacities as a price aggravating factor directly linked to the sizes of available markets through trade liberalization at the bilateral and multilateral levels, which would also help tackle tariff barriers and (v) improving trade facilitation measures like simplification of documentation and procedures, transit agreements etc... This could also help reduce the cost of imports by minimizing costs of immobilization of capital.

(b) Marketing, advertising and distribution

28. This involves all activities required to put goods and services at the disposal of consumers. The main channels consist of communications, transport, transit, advertising, sales networks and payments facilities. The prohibitive costs of transportation referred to earlier are better explained against the underdeveloped situations of transport networks and services in Africa which do not favour intra-African trade. Transport networks and services still follow the old traditional pattern of trade. In other words they are externally oriented continuing to link the continent with its tranditional partners of the developed market economies.

29. Trade and transit facilitation is a crucial element in intra-African trade. Tremendous delays and losses are presently hampering the development of intra-regional trade because of lack of transit facilities in a continent with a greater number of land-locked and island countries. To partly overcome this impediment requires the establishment of transit arrangements and their backing with trustworthy guarantee systems.

(c) Sales promotion and services

30. Africa's trade is still mainly controlled by foreign transnational corporations with vertically integrated networks linking the African based branches to parent companies in the market developed economies in shuttle services schemes. These present trade patterns are likely to continue unless efforts are made to establish and strengthen new distribution networks geared specifically to linking African business communities through bilateral and/or multilateral long term purchasing agreements, and/or the establishment of multinational marketing enterprises.

(d) Financing and payments arrangements

31. The present foreign exchange crisis has compelled most African countries to drastically reduce their imports even from the traditional suppliers of developed countries. Credit and payment facilities have become crucial factors in determining exporters' success or failure in to-day's highly competitive markets. Foreign commercial banks operating in the continent do not consider as their priority the development of intra-regional trade. On the contrary, they would rather backstop the North-South operations. It is therefore necessary for African countries to establish export credit financing and export credit insurance schemes where these do not exist to enhance their ability to export to other developing countries. There is a need for a new banking system, including commercial banks, which would direct their operations to actual development objectives of African countries. It is also important that the banking networks of African countries be integrated at the subregional and regional levels to offer maximum guarantee for the mobilization of resources for intra-African trade.

32. In the meantime African countries have embarked on the establishment of payments and clearing arrangements in West, Central, Eastern and Southern Africa with a view to reducing the use of foreign currencies in their trade transactions. However, these arrangements are already facing some difficulties because of recurrent trade deficit of some of the participating countries. There is therefore a pressing need to continue devising trade mechanisms such as clearing trading firms which would help reduce the deficits and ensure the viability of the arrangements.

III. THE ROLE OF THE FEDERATION OF AFRICAN CHAMBERS OF COMMERCE IN PROMOTING INTRA-AFRICAN TRADE

33. The recent years have witnessed a major shift in the role of chambers of commerce. There has been an increasing awareness that economic operators and their organizations should be involved in the formulation and implementation of trade and investment promotion policies at the national, subregional and regional levels. It is still necessary to increase this awareness by mapping out clear cut lines of action for business organizations in general and more specially for the regional Federation of African Chambers of Commerce. The Federation could play a key role in the following areas:

(a) Trade information systems

34. As was stated earlier, one of the main issues to be addressed in Africa is the lack of trade and investments information coupled with insufficient and ineffective contacts between African businessmen. African producers' exporters, importers/consumers do not have enough information on markets for their products and the availability of products from other countries. Market conditions in any one African country, are largely unknown to the majority of the African business community. Developed countries are quite aware of this and their exporters have pertinent policies on the matter which enable them to continually capture African markets by strongly influencing African consumers with well conceived advertising messages based on the demonstrative effect of international consumption. Therefore, African governments should pass protective legislation on advertising and related practices of foreign companies to protect the Federation. At the same time, efforts to promote genuine industrial development by accelerating the obsolescence of manufactured products cannot be sustained.

35. If intra-African trade is to be developed, the Federation should play an active role to establish collective trade information systems at the subregional and regional levels to ease trade information flows within Africa and possibly to channel information on external markets to African end-users. Such an information system should have components located within trade promotion centres at the various levels including national chambers of commerce. It should use all possible media (directories, magazines, bulletins, market studies, statistical compendiae, telex, computers)to reach business decision makers on a regular basis. As a complement to this, it is imperative to establish or strengthen national subregional and regional trade promotion mechanisms and to enhance the role of the Federation of chambers of commerce in trade promotion so as to promote not only inter-governmental co-operation but also co-operation between private business operators.

36. Another aspect which requires mention is that African business executives travel mainly to visit developed countries and contacts within Africa are sporadic and often ineffective. Since development of trade in general depends to a large extent on new contacts, it is important to plan for mechanisms to improve contacts between African businessmen. In addition to the OAU sponsored All Africa Trade Fair, specialized trade fairs and exhibitions should be organized along with investors' forums and symposiums which will discuss sectoral issues, concrete co-operation schemes and formulate suggestions for government policies.

37. In sum, trade promotion tasks in which the Federation can take an active role include:

(i) the establishment and/or strengthening of trade promotion mechanisms including chambers of commerce at the national, subregional and regional levels. Such mechanisms will be the focal point for an African regional trade information system which would ease the flow of trade and investments information throughout the continent and fill the present glaring gap.

(ii) the training of qualified trade promotion officers, technicians and managers well aware of business development;

(iii) the organization of promotional events including specialized trade fairs, investors' fora and symposiae which would be opportunities for increased contacts between business executives.

(b) Financing intra-African trade

38. One of the areas in which the Federation of African Chambers of Commerce can play a vital role is in the mobilizing finance for intra-African trade. The trade promotion tasks in Africa is so important and activities involved so diversified that institutions envisaged for the purpose will have to be devised in such a way as to make the required impact. The range of activities to be undertaken involve almost all the fields of economic development from production to transport, distribution, prices, development of human resources. Considerable achievement has already been made in the establishment of African inter-governmental organizations dealing on a sectoral basis approach with aspects of the recommended integrated trade promotion policies described earlier. For instance the ECO Bank project started in West Africa is a sound one and should rapidly be extended to other subregions. The Federation of African Chambers of Commerce could play a vital role by providing the necessary support for that and for the linking ECO bank with other sub-regional investment Funds through strengthening trade links.

39. The areas in which the Federation's intervention can effectively contribute to productive sectors in general and to industrial development in particular include:

(i) Assisting in establishment of resources mobilizing mechanisms including financial institutions and credit schemes at the national, subregional, regional and inter-regional levels to supplement existing public arrangements;

(ii) Participation in the board of directors of all organizations created by African governments and dealing with technology, engineering, manufacturing, standardization and technical training with a view to influencing their orientations to the best of the producers interest;

(iii) Identification of opportunities for multinational co-operation in industrial projects based on the processing of locally available inputs whenever feasible;

(iv) Organization and/or sponsorship of trade promotional events including investors' fora and specialized trade fairs and exhibitions.

(c) Trade liberalization

40. One of the most pressing tasks in enhancing the competitiveness of African products and in promoting intra-African trade is the establishment of trade liberalization mechanisms such as preferential trade areas, economic communities, customs unions and subregional Federations of Chambers of Commerce to reduce most aggravating factors related to tariff and non-tariff barriers. Some mechanisms are already established by African countries in all subregions of the continent except for North Africa. These include the Economic Community of West African States (ECOWAS), the Preferential Trade Area of Eastern and Southern African States (PTA) and the Economic Community of Central African States (ECCAS). However, it is true that private economic operators constitute the missing link in trade liberalization. This is partly because in the process for the establishment of all those economic groupings, no provision was made to involve national chambers of commerce in such activities. More specially as Chambers of Commerce are not associated with the implementation of current economic integration endeavours.

41. It is important to stress that the restructuring of African markets through the integration of chambers of commerce would have a dramatic effect on the competitiveness of African made products by providing opportunities of rehabilitating the presently underutilized industrial capacities and thereby, reducing fixed unit costs through economies of scale. Moreover, trade liberalization is also hampered by the lack of harmonization in investments, imports and exports policies and management which calls for an immediate action in the field of trade and investment information. The establishment of a regional integrated trade and investment information system should be a priority if intra-African trade is to be developed.

42. The Federation of African Chambers of Commerce could play a role as a regional co-ordinating point of national and subregional business oriented information (chambers of commerce and their subregional associations) and also as a central pool for trade and investment information. The Federation could also play a critical role in harmonizing and co-ordinating African businessmen's negotiating position vis-à-vis organizations such as shipping lines and their conference by laying foundations for collective freight booking centres in the medium term so as to minimize cost aggravating factors of freight rates and to improve services in that field.

IV. STATE TRADING ORGANIZATIONS

43. Neo-liberal policies imposed on African countries as a remedy to the current economic crisis advocate the dismantling of the business public sector including the State Trading Organizations (STOs). Document E/ECA/TRADE 55 which was distributed as a background document discusses in detail whether existing socio-economic conditions in African countries and the level of development of native business entrepreneurs would justify a withdrawal of government from the business sector. The structures and management of the African State Trading Organizations have also been reviewed and solutions proposed for their improvement.

44. The conclusion is that State Trading Organizations do have an important role to play in direct control of Trade by African countries and in the development of co-operation at the intra regional and inter-regional levels (TCDC). While the privatization of trading activities is a viable policy for ensuring an efficient and motivated trading communities, the absence of middle-level enterprises is a serious set-back to export promotion by African countries. Consequently STOs could help in strengthening bargaining positions of African countries by providing associative mechanisms for the grouping of imports and export operations.

V. PROPOSALS FOR FUTURE ACTION

45. From the foregoing brief analysis, it is evident that our integral part of the intra-African trade strategy should include an immediate and intensive programme to increase the trade promotion, marketing research, and exchanges of African produced goods and services in order to reduce our dependence on external markets. This is an area in which institutions such as the Federation of African Chambers of Commerce and the Association of African Trade Promotion Organizations can play a crucial role. Since Africa is faced with a serious economic crisis, new and serious exchange of information should be conducted primarily within the existing subregional groupings to look for new opportunities in trade among the African countries. It is deplorable that the African market is presently exploited by foreign interests from North America, South East Asia, Japan, Western and Eastern Europe. Therefore, new positive attitudes towards African-made goods through the launching of «BUY AFRICAN GOODS» campaign should be encouraged as a means of ensuring collective self-reliance and of enhancing further growth. To this end, the Federation should be fully supported by all African countries in its new role as a catalyst for intra-African trade promotion.

46. To sum up, trade promotion should activily involve itself in priority tasks in the field of production including: (i) the re-orientation of production policies and plans so as to give priority to the processing of raw materials available within Africa, to create backward forward inter sectoral linkages and to link demand and supply (ii) the promotion of productive investments through appropriate incentives to both local and foreign investors, the establishment of capital mobilization mechanisms, including the re orientation of the existing banking systems towards the financing of indigenous inward looking productive activities and to promote intra and inter regional co-operation in investment financing; (iii) the harmonization of quality and technical standards within the region (iv) the training of skilled manpower including technicians and managers.

47. The improvement of distribution activities will depend on the participation of the subregional and regional trade promotion institutions in the implementation of the following tasks: (a) the accelerated construction of inverted transport and communications networks linking African countries (b) the establishment and/or strengthening of transit arrangements backed up credible multinational guarantees: (c) the promotion of long term purchasing and counter purchasing arrangements including multinational marketing enterprises which would generate new inverted distribution networks (d) the creation of trade financing mechanisms including export credit facilities, integrated intra-African oriented networks of commercial banks and the proposed African Monetary Fund to assist in the harmonization of monetary policies and payments (e) the establishment of subregional common markets and regional common market.

48. The eighth meeting of the Conference of African Ministers of Trade adopted concrete decisions and recommendations aimed at enhancing Africa's trade potentials. These decisions are still valid and are reproduced below with a view to re-integrating them in future programmes of action for Africa's trade development and expansion: eighth meeting of the Conference of African Ministers of Trade met in Brazzaville from 26 to 31 October 1985 adopted the following recommandations:

(i) New types of intra-African trade oriented distribution networks based on national, private and public entreprises should be promoted.

(ii) Production and trade be linked within national development plans using a macro-marketing approach. Marketing-oriented planning techniques should be included in curriculae of national and subregional management and trade promotion institutes;

(iii) National, subregional and regional trade promotion institutes should be reinforced and given necessary resources in order to function properly. Trade promotion funds should be established with levies on imports taxes;

(iv) African governments should extend their full support to the Association of African Trade Promotion Organizations (AATPO) and the Federation of African Chambers of Commerce. Fund raising actions should be undertaken to support market research and supply and demand studies;

(v) Member-States should strengthen their co-operation in exchange of trade information through subregional and regional trade information systems co-ordinated by ECA with ITC's technical back-stopping.

(vi) Secretariats of ECA and OAU devise means of rationalizing the activities of AATPO, the Federation of African Chambers of Commerce and ECA's Africa Trade Centre in order to avoid duplication and waste of resources.

CHAPTER THREE

AFRICA'S INTERNATIONAL TRADE RELATIONS

I. Major Developments of Concern to Africa

49. Since 1980, several major developments have taken place in Africa's international trade relations which the Conference of Ministers should consider seriously if Africa has to gain anything significant from such relations. These developments include the following:

(a) the prices of major commodities of interest to Africa collapsed in 1980 and have since then remained low. In fact, the fall in the United States dollar values also seriously affected the prices of commodities denominated in dollars. There are no indications that the prices of these commodities will recover within the foreseable future;

(b) the international commodity agreements have not operated to the advantage of African countries largely because the prices of commodities are fixed outside the framework of these agreements;

(c) the Integrated Programme for Commodities agreed within the context of UNCTAD largely remains unimplemented and the Common Fund for commodities has not yet become operational because the United States of America and the Soviet Union continue to refuse to sign and ratify the agreement.

(d) Many African countries continue to experience serious shortfalls in their commodity export earnings. The IMF compensatory financing facility has been used in some cases to alleviate this problem but the terms and conditions for use of this facility remain largely unacceptable to many African countries. In fact, the social and political cost of the adjustment measures imposed by the IMF has caused serious disruption of the economic systems in some African countries;

(e) the African countries, members of the ACP-EEC Lomè Convention, continue to experience difficulties in taking full advantage of the convention to increase their exports to the EEC market especially of manufactured goods. On the contrary, some developing countries outside the Convention, especially the "newly industrialized countries" have increased such trade appreciably. Moreover, the working of STABEX and SYSMIN still poses practical problems in interpretation and application;

(f) Protectionism in the industrialized countries is still in full force and in some cases is being re-inforced. Consequently, the African countries generally find it increasingly difficult to penetrate these markets. At the domestic level, production and distribution structures still favour the export of primary commodities. Therefore, even if protectionism was eliminated in the industrialized countries, it is doubtful how many African countries would really take full advantage of the improved market access conditions in the industrialized countries.

(g) the multilateral trade negotiations (MTN) within the Tokyo Round and the General Agreement on Tariffs and Trade (GATT) are still not oriented to include African concerns. In fact, Africa's presence in the GATT is still small and largely uneffective.

(h) within the framework of economic co-operation among developing countries (ECDC), experience has shown that developing countries in Asia and Latin America are interested in purchasing agricultural primary commodities and other raw materials to support their industries. In turn they view Africa as a dumping ground for cheap quality manufactured consumption, capital and industrial goods. Therefore, South-South trade co-operation under such conditions would not be advantageous to Africa.

50. These are some of the real and critical issues governing Africa's international trade relations. Future proposals for improving Africa's position in the world trade cannot be effective unless fair and lasting solutions to these problems are focused. The analysis that follows in the next few sections attempts to throw some light on these issues.

II. Recent Trends in Africa's External Trade

51. The issues raised in Section I of this chapter translate themselves into the trends examined in this section. This analysis is a sum total and a testimony to several important developments relating to recent developments in Africa's international trade relations. The analysis specifically focuses on events in the aftermath of the sixth session of the United Nations Conference on Trade and Development (UNCTAD) which was held in Belgrade in 1983. The starting point is to stress that Africa's trade performance has been generally discouraging.

5252. The eighth session of the Conference of African Ministers of Trade reviewed a number of issues in this area including the outcome of UNCTAD VI and it became evident that the expansive world environment of the 1960s and 1970s did not repeat itself in the second half of the 1980s. For instance and according to the General Agreement on Tariffs and Trade (GATT), "as the economic recovery from the 1982 recession completes its third year, it is not clear whether the world economy has moved on to a higher growth path than was evident in the post 1973. In 1984, the volume of world trade increased 9 per cent over 1983, while world production was up to 5 1/4 per cent. This represented the best performance in eight years, and brought world output and trade to new record levels". 1/ This statement, underscores the extent of achievements which were in many cases disappointing.

53. The developments in Africa's trade can be seen from the data in Table I. The percentage share of exports of goods and services in total GDP for the period 1980 to 1985 shows that many African economies did not benefit from the global economic recovery reported in some major industrialised developed countries. For instance, out of 50 countries only ten African countries (Egypt, Cote d'Ivoire, Guinea, Mauritania, Senegal, Burundi, Equatorial Guinea, Angola, the Comoros and Seychelles) registered an increase in the nominal value of their exports of goods and services at current prices during this period. For the rest of the African countries the relative value to Gross Domestic Product continued to decline. In some instances this decline was very significant. For instance, in Egypt the share of exports in GDP declined from 28.6 per cent in 1980 to 14.2 per cent in 1985. Significant declines were also registered in Libya, Tunisia, Ghana, Nigeria, Angola, Mozambique, Tanzania and Zambia.

54. An important characteristic of the international economic situation in the recent years has been the susceptibility of the African economies to uncertainty which surrounds interest and exchange rates of most major world currencies. Since most African currencies are "pegged" to some major world currency, these developments placed an increasing pressure on resources and resulted in serious debt burdens on their respective economies. The region's economic situation was exacerbated by its unchanging trade structures, in particular, the continued production and exporting primary agriculture and mineral commodities whose demand continues to be externally determined by importers.

1/ GATT, International Trade 1984/85, Geneva, 1985, p.1.

TABLE I

PERCENTAGE SHARE OF EXPORTS OF GOODS AND SERVICES IN TOTAL GDP IN AFRICA

	1980	1981	1982	1983	1984	1985
North Africa						
Algeria	34.97	35.47	31.74	29.19	27.68	25.36
Egypt	26.63	25.78	25.41	22.02	17.79	14.26
Libyan Arab J.	63.95	52.11	46.41	36.93	39.88	39.77
Morocco	19.03	21.23	20.56	22.35	25.49	25.90
Sudan	6.58	6.58	7.62	10.13	8.60	7.67
Tunisia	40.59	41.37	36.62	35.19	34.00	30.32
West Africa						
Benin	26.52	22.71	21.79	23.46	25.42	25.47
Burkina Faso	16.68	17.46	16.39	17.49	20.75	20.96
Cape Verde	11.54	10.31	10.00	10.39	9.30	8.41
Cote d'Ivoire	33.68	34.60	37.93	40.81	51.71	55.15
Gambia	58.58	51.42	47.24	49.01	56.14	50.75
Ghana	11.74	11.11	3.16	5.61	6.73	7.78
Guinea	26.10	23.65	22.91	23.09	22.72	21.68
Guinea Bissau	12.31	11.25	10.98	11.31	10.71	11.11
Liberia	66.96	62.11	55.72	56.64	59.58	62.50
Mali	16.76	14.59	15.18	18.61	20.63	20.42
Mauritania	29.09	33.23	31.46	36.31	42.22	57.42
Niger	24.01	24.29	22.26	27.23	29.90	...
Nigeria	26.66	20.78	16.68	14.23	16.26	18.13
Senegal	28.71	33.04	37.84	33.35	34.85	32.48
Sierra Leone	22.89	23.01	8.93	11.40	20.44	22.01
Togo	37.98	38.49	33.01	35.70	41.43	45.03
Central Africa						
Burundi	8.43	7.88	9.30	9.50	10.80	11.13
Cameroon	26.85	21.63	20.02	20.91	20.23	19.05
Central African Rep.	26.10	25.43	23.59	27.65	26.62	27.33
Chad	20.30	20.52	20.18	21.73	23.74	22.71
Congo	56.30	58.05	53.90	56.82	57.26	56.07
Equatorial Guinea	32.56	31.11	32.61	33.96	33.33	34.67
Gabon	67.30	65.57	64.95	62.78	62.05	63.09
Rwanda	16.16	11.36	10.03	10.11	10.53	10.16
Sao Tome & Principe	39.13	21.05	26.19	25.71	37.14	36.84
Zaire	35.52	35.10	32.19	39.56	62.90	68.30

...../

'cont'd.' Table I Percentage share of exports of goods and services in total GDP in Africa

	1980	1981	1982	1983	1984	1985
East and Southern Africa						
Angola	51.54	51.54	44.68	42.61	40.01	37.64
Botswana	51.05	51.07	44.92	60.35	60.73	64.05
Comoros	11.67	18.69	22.22	21.65	11.24	18.75
Djibouti	47.67	43.13	43.56	42.90	41.89	40.39
Ethiopia	14.25	12.87	11.73	11.35	11.46	10.24
Kenya	28.62	25.46	24.83	25.60	28.27	25.42
Lesotho	19.01	16.26	14.12	15.20	15.57	15.15
Madagascar	14.03	12.21	12.64	11.46	15.68	14.06
Malawi	26.64	27.12	23.75	21.75	27.62	22.18
Mauritius	51.15	41.70	47.22	46.65	49.18	53.15
Mozambique	9.12	8.85	8.81	7.06	4.50	3.05
Seychelles	68.03	57.14	52.70	50.68	64.47	71.25
Somalia	14.53	13.40	17.19	13.40	4.92	12.51
Swaziland	61.27	67.98	71.43	64.79	62.23	62.41
Tanzania, United Rep.	13.24	11.95	8.33	8.68	7.69	5.02
Uganda	4.85	3.19	26.41	37.56	67.75	5.84
Zambia	41.38	28.63	27.61	30.62	36.53	25.78
Zimbabwe	30.29	25.20	32.15	22.37	26.17	28.29

Source: ECA calculations based on data from the ECA Statistics Data Base.

55. Another important aspect relates to the slow growth rate of trade between Africa and the non-traditional partnerscomprising the centrally planned economies of the socialist countries of Eastern Europe on the one hand and China. Other non traditional partners include non-African developing countries of the Latin American and Carribean, the Asian and Pacific and Western Asia regions who together make up the Group of 77. The combinedannual percentage share of Africa's trade with her non traditional trade partners between 1983 and 1985 was about 18.39 per cent in the case of exports and about 22.2 per cent in the case of imports. The annual average of Africa's imports from the centrally planned economies was about 8 per cent of Africa's total imports while Africa's exports to this market averaged of 5.25 per cent annually. Africa's exports to the other developing countries was 13 per cent annually as against over 16 per cent of imports from the same source. These figures show that potentials for diversification of Africa's trade channel remain largely unexploited.

56. Table 2 shows the direction of world trade in the period 1980 to 1985 and that Africa's value of exports has been declining and that the increase from the low level reached in 1983 is much less than in the period before 1983. In other words, the region's trade balance has been unfavourable both in global terms and on a commodity by commodity sectoral basis. This unfavourable trend was exacerbated by the fact that imports have not declined by the same magnitude and in fact for many items there has been no significant decline. The expected expansion of world merchandise trade by about 3.5 per cent in 1986 is likely not to include the African region. During the first three months of 1985 (January-March), Africa had a total world trade deficit of US$1052 million and this deficit rose to US$2240 million over the same period in 1986.

TABLE 2

Direction of Trade

Exports to World
(Values in million US dollars)

A. Total all commodities (Sections 0-9)

	1980	1981	1982	1983	1984	1985
World	2 001 968	1 965 890	1 848 326	1 813 478	1 907 244	1 932 915
Developed market economies	1 267 872	1 242 490	1 176 197	1 162 091	1 235 717	1 274 911
Developing market economies	558 593	543 226	451 907	435 146	468 956	456 749
- Africa	93 899	75 273	66 024	59 595	61 800	63 813
- America	109 768	111 061	107 550	107 998	113 524	111 008
- Asia	352 747	355 006	309 792	282 705	291 637	279 989

Source: (i) UN Monthly Bulletin of Statistics, May 1986.
(ii) UN Monthly Bulletin of Statistics, June 1986.

TABLE 3

World Trade by Regions
(Values in million US dollars)

January - March 1985..

	Imports (CIF)	Exports (FOB)	Balance
World	5.. 300	506 250	+2 050
Developed market economies	369 582	331 852	-37 730
Developing market economies	106 650	112 760	+ 6 110
- Africa	15 940	13 700	- 2 240
- America	21 170	26 200	5 030
- Asia	65 770	70 110	4 340

Source: UN Monthly Bulletin of Statistics, Vol. XL, No. 7, July 1986.

57. Africa's trade performance in 1986 will, by and large remain the same as in 1985 as shown in Table 3. Her share of trade in the first quarter of 1986 was rather low. This is largely because external demand which was weak in 1985, could continue to depress exports, making it still more difficult for most primary export-dependent countries to undertake any adjustments. Moreover, there are no indications that the climate of international negotiations would seriously accommodate the problems that face most developing countries in the export sector. Basically, because many developed industrialized countries have not yet shown signs of supporting the view that relaxing or dismantling protectionist measures would in the long run be to their own advantage. In particular, it seems that restrictive budgetary policies in industrialized countries in addition to monetary policies are likely to continue preventing the increased flow of official development assistance (ODA) and investments into the economies of the developing African countries.

58. There are other important aspects of recent trends in Africa's trade which should also be highlighted alongside the trends above. Africa is an important region for world trade being a predominant producer and exporter of primary commodities. Therefore, world trends in commodity prices have not only been ominous but

affected the region's entire economic recovery and growth prospects. Hence, changes and the instability of commodity prices are not only key determinants of the region's export growth but also its rate of economic development. For instance, the increase in the ratio of debt to exports makes financial adjustment even more acute for commodity-dependent countries. The situation becomes exacerbated where the fall in commodity exports is combined with a high level of dollar interest rates, basically because high interest rates cause debts to grow rapidly due to an accumulation of interest charges at a time when a drop in commodity prices cuts export earnings.

59. The concern over Africa's trade relations also arises from the fact that results of international negotiating conferences have not contributed much in arresting the continuing deterioration of the terms of trade. The status quo in international trade relations is such that Africa continues to export primary commodities in exchange for imports of consumption and capital goods. This catastrophic situation has been sustained because a number of special agreements which were intended to assist most developing countries have not been implemented. For instance, many compensatory systems like STABEX or SYSMIN provided within the framework of the ACP-EEC Lome III Convention as a form of preferential agreement to exporters in the ACP countries have not provided real solutions to the crucial problems of ameliorating unequal trade.

60. Another critical aspect of these trends is the impact of protectionist measures on the economies of developing countries. Protectionism restricts access to important markets and retards progress, considerably depresses demand, reduces the supply of foreign exchange necessary for imports and debt service, and is a major contributor to declining investment in the export sector. African countries have persistently pressed for removal of protectionism during the various meetings like those of the GATT Contracting Parties at the Ministerial Level in Uruguay from 15-19 September 1986, meeting of the Trade and Development Board of UNCTAD and at the sixth session of UNCTAD. However, the drift towards protectionism has not stopped or been reversed in the industrialized countries.

III. Proposed Measures for Improving Africa's Trade Relations

61. The eighth meeting of the Conference of African Ministers of Trade critically examined Africa's trade relations within the framework of the continued economic and social crisis facing Africa. Some important factors need to be stressed as a basis for proposing more lasting solutions. Firstly, as had been stated earlier in this chapter, progress in international negotiations has not advanced in a way that would be considered satisfactory in meeting the aspirations of developing countries. For instance, the result of strengthening North-South dialogue through UNCTAD, GATT and the ACP/EEC machineries is overshadowed by confrontation than by co-operation and compromise. Discussions in many of UNCTAD's main forums such as

the Trade and Development Board and its Permanent Committees have continued to polarize group interests. Moreover, the Integrated Programme for Commodities (IPC) and especially its Common Fund has not yet come into operation. Commodity prices continue to be depressed and experience uncertainty because the international trading system does not wish to enter into multilateral commitments. At the same time attempts at improving some of the existing schemes have advanced only to the stage of studies. The question of adjusting the compensatory financing facilities (CFF) for commodities to include marketing, processing, distribution and transportation is bogged down by the insistence of the industrialized countries on first resolving the supply rather than the demand side of the problem.

62. Secondly, the African region was not able to meet prior to the GATT Ministerial Meeting on the New Round of multilateral trade negotiations which took place in Uruguay from 15 to 19 September 1986. The meeting focussed on the following issues: (i) to halt and reverse protectionism and remove distortions to trade, (ii) to preserve the basic principles and to further the objectives of the GATT, and (iii) to develop a more open, viable and durable multilateral trading system with a view to promoting growth and development. However, the success of the " new round " of multilateral negotiations will require the adoption of effective measures that address both the current negative trade policy issues and many of the underlying economic and political factors particularly those which have been responsible for the erosion of the international trading system.

63. Against this continuing adverse background, there is need to intensify measures to improve Africa's trade relations and performance within the context of Africa's Priority Programme for Economic Recovery 1986-1990 and the United Nations Programme of Action for African Recovery and Development 1986-1990. At the eighth meeting of the Conference of African Ministers of Trade held in Brazzaville in October 1985, certain concrete and far reaching decisions and recommendations were made in this regard. Since the decisions are just as valid today as when they were made, and since most of them have as yet to be implemented, it is proposed that this Conference should re-iterate them and explore new and more effective ways of implementing them.

CHAPTER FOUR

IMPACT OF TRANSNATIONAL CORPORATIONS ON DOMESTIC AND INTRA-AFRICAN TRADE

(a) The Issues

64. Transnational corporations (TNCs) in Africa exercise extensive and dominant control of the major means of production, transportation and distribution. However, in general, they have had a negative impact on the development and expansion of domestic and intra-African trade. Since the TNCs pioneered external trade, their institutions were not geared towards domestic and intra-African trade. The first problem that arises is that domestic and intra-African trade continue to be conducted under poor conditions reflecting the low priority accorded to it in the trade policies of TNCs. On an even more alarming note, more than two decades after they had achieved their independence, it is noted that the level of intra-African trade continues to be extremely low as a proportion of Africa's total trade, showing that, for the majority of African countries, the bulk of their trade continues to be with their former metropolieses.

65. The second major concern is that intra-African trade assumes the following characteristics: (i) TNCs encourage the exports of primary commodities and minerals and the imports of manufactured and capital goods including food. At the same time the trade continues under conditions of deteriorating terms of trade for the African countries whereby they had to produce more primary commodities to exchange for decreasing volumes of manufactured and capital goods. (ii) TNCs reinforce the production of cash crops and minerals by the African countries to the detriment of food and other staple agricultural commodities especially those badly needed for internal consumption and (iii) TNCs foster the international division of labour which created serious distortions within the economies of the African countries by encouraging urban development against rural development.

66. The third set of problems arising from the activities of TNCs is that there has always been a divergence between demand and supply thereby distorting intra-African trade in goods and services. African production structures are still largely geared to primary commodities production for export to the industrialized countries, while the demand for manufactured goods is being met from imports from European, American, Japanese and Asian countries. Some goods produced within the African countries are deliberately intended for the poor and are mass produced with low quality. Moreover, these products are deliberately overpriced thus making them uncompetitive compared with similar products from imported sources. Technically, also, it has been difficult for African countries to institute radical changes in their production structures, trade and consumption patterns in order to specifically promote intra-African trade.

67. In another sense in many African countries, trade opportunities are exploited largely by foreign enterprises, especially transnational corporations. This is a result of the fact that indigenous businessmen are generally denied the necessary information and financing regarding trade opportunities in the African region and more importantly, suffer from a lack of credit facilities which are controlled by transnational banks. Even when information and credit are available, local or indigenous traders are hampered by foreign exchange control regulations whereas TNCs have almost unlimited access to foreign reserves. Related to these problems is the lack of institutional support such as export credit schemes to African traders. As was stated earlier most African countries do not have an export credit financing or guarantee schemes to facilitate African businessmen's efforts in trade expansion.

(b) Proposals to enhance the Contribution of TNCs to Domestic and Intra-African trade Expansion

68. It is a fact of life that TNCs are there to stay in most African countries. They will continue to be equipped with advanced technology for production, better transport and communications facilities, better trade financing and better access to foreign markets than indigenous traders or state trading organizations. Consequently, a dichotomy exists in the policy formulation as to accommodate these TNCs while at the same time undertaking economic recovery, growth and development.

69. The Conference of African Ministers of Trade should consider recommending to their governments to adopt the following action intended to enhance the contribution of TNCs towards domestic and intra-African trade:

(i) TNCs be asked to fully support the United Nations Decade for Domestic and Intra-African Trade. To this end, they should be persuaded to desist from adopting restrictive business practices, including export credit financing and export credit insurance, to African and non-African traders who are genuinely struggling to promote domestic and intra-African trade.

(ii) TNCs should be asked to channel part of their resources towards providing financial resources into the development of the rural areas and specifically for agricultural processing including food, water resource development, transport and communications, health and social infrastructure. Since the rural population forms the backbone of the economies of the African countries a balanced growth and development between urban and rural areas would enhance the purchasing power of the rural populations. Hence their demand for manufactured goods will increase to the benefit of TNCs. Furthermore, the present economic structure indicates the existence of growth points in the form of small urban centres within the rural area which reinforce domestic and intra-African trade especially in border areas. These growth centres do promote overall growth of the economies and thereby enhancing the demand for more sophisticated goods generally produced by TNCs.

(iii) TNCs should assist the host countries in which they operate in their efforts to attain self-sufficiency in food production especially at the subregional level. To this end, they should assist in efforts to develop the technical and managerial know-how skilled manpower, to improve production, storage, distribution and marketing so as to reduce its costs in order to fully exploit the African market. Joint ventures and other production sharing multilateral arrangements for intra-African trade would remove the excess capacity in many African enterprises while improving the quality and unit cost. It must also be emphasized here that the TNCs trade structures set up within the existing African economic groupings will eventually level-off in terms of growth unless industrial production, as well as distribution systems, can be directly linked with domestic and intra-African trade.

(iv) TNCs should be willing, where possible, to share advanced statistical information and market intelligence, trade promotion and market analysis techniques with their trade partners in the host countries (both state trading and private indigenous enterprises). To this end, they should assist African countries to develop informatiques and computerized transborder data flows systems in order to monitor and record intra-African trade transactions.